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SUBJECT: SECOND FIDDLE NO LONGER

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1. (U) Summary: Two major players, MTN Nigeria Communications Limited and Econet Wireless Nigeria Limited, dominate Nigeria's mobile communications industry. The latter has long played second fiddle to its much larger competitor, but Econet executives insist that with Vodacom Group's purchase of a 51 percent stake in the company, its rival will soon be singing a different tune. End summary.

2. (U) Bolaji Balogun, Econet's Chief Marketing Officer, exudes enthusiasm. Having been with Econet since the beginning (and having raised much of its financing), he is particularly attached to the company. He knows it inside and out, takes its successes and failures personally, and believes passionately in its potential to become Nigeria's leading mobile service provider. The firm's subscriber base is still smaller than its competitor's (Econet has some 860,000 customers compared to MTN's 1.5 million), but the company has been building network capacity non-stop for the last six months, and its services now cover 45 (compared to MTN's 50) major cities. If coverage expands and subscriptions increase, MTN's dominance may soon be a thing of the past.

3. (U) Balogun has every reason to be optimistic. South Africa's Vodacom Group has just agreed in principle to a \$230 million purchase of 51 percent of Econet's shares, and Balogun expects Vodacom to provide access to \$200 million of additional financing. With a steady supply of funds (perhaps supplemented by an International Finance Corporation line of credit), Econet's chronic money problems will be much less pressing. And with sufficient financing, the firm will be able to pursue its expansion plans with unprecedented energy. Balogun expects the two companies to sign the deal (and Econet to change its name to Vodacom) in mid-December. After that, he says, MTN's days as Nigeria's leading mobile service provider will be limited. With characteristic enthusiasm, Balogun predicts his firm's subscriber base will exceed MTN's by December 2004.

4. (U) Balogun's optimism is further fueled by his and industry observers' belief that Econet's network quality surpasses that of its major competitor. Its backbone is capable of carrying more traffic with relatively fewer dropped calls, and Balogun expects its edge over MTN to increase significantly as the firm expands its network. That edge will be enhanced by Econet's flexibility and responsiveness to consumer demands. The firm has beaten its major competitor on more than one occasion: it was the first to introduce global system for mobile communications (GSM) services, and it was the first to introduce per-second billing and lower tariffs, something Nigerian consumers have long demanded.

5. (U) Comment: If Vodacom's entry into the Nigerian telecommunications market creates the waves Balogun expects it to, his firm could very well surpass MTN to become the country's largest mobile service provider. The market is huge (Balogun expects the industry to have 10 million customers by 2010), and serious competitors are few and far between. The highly anticipated September 29 entry of Globacom, the country's second national operator, was disappointing (the firm has only 100,000 customers, is reportedly losing them, and failed to offer the low prices and better than average service consumers expected), and industry observers say it is having trouble raising the financing it needs to continue building its network. The national carrier's mobile subsidiary, M-TEL, is no more a threat to the industry's major players than it ever was, and neither it nor any of Nigeria's private

telephone operators show signs of capturing significant market share. If Balogun's expectations prove accurate, Econet/Vodacom may not be playing second fiddle much longer. End comment.

HINSON-JONES